Perspectives

cover story

Nonsplatter rollers broaden sundry market

By an NHCN staff editor

NATIONAL REPORT — A new generation of nonsplattering paint applicators is being developed and marketed by manufacturers, and the result has been a broadening of the high-margin, $1.8 billion paint sundries market for many home centers.

But DIY dealers say there is still a lot of consumer resistance and education is needed before the products become category standards.

"Consumers need to be taught about [nonsplattering rollers]. They need to realize they are available," said Paul Blake, paint buyer at Scotty's, Winter Haven, Fla., which currently is thinking of taking on a line.

The other side of the coin is Builders Emporium, the Irvine, Calif.-based chain, whose assistant buyer Leslie Maddocks said "Wow!" when asked about the rapidly developing innovations in paint sundries.

"The manufacturers are refining, adding extension poles and reducing costs," she said. BE is currently offering the Shur-Line roller and shield, which catches roller spray for virtually splatter-free painting. It also sells Shur-Line's paint pourer, a device that fits on a standard one-gallon paint can and provides a "no-drip" spout for clean and easy pouring or mixing.

The sundries category has been revived by nonsplattering roller products. NHCN photo

The most recent addition to the BE paint sundry line is Wagner Spray Tech's "Handi-Roller," which contains an applicator tube that fills directly from the paint can through a specially designed feed tube. One fill covers a 7 x 16-foot area. BE discounts the product at $19.96.

Mr. Goodbuys, the Philadelphia-based home center chain, has stocked the Wagner Handi-Roller for only four months, according to a buyer who asked not to be identified. He said the product has been promoted once on an endcap and has been allocated space in the retailer's catalog. Consumers, he said, will have to overcome an initial impression that non-splattering applicators are "gimmicky, but eventually we expect them to be standard items in our catalog."

DIY dealers said it was unlikely that splatter-shield products would ever spell the demise of conventional rollers, pads or brushes, which account for the bulk of profitability while paint is virtually being given away in many markets.

Consumers need education

Ed Goldstein, vp of the Minneapolis-based Padco, whose Splatter Shield Roller was the first of its kind when introduced in 1979, has found that consumers still choose the "normal, wire-cage type roller because that's what they used last time." He said, though, that "our sales are growing."

But market expansion for splatter-proof sundries will rest on consumer education provided by dealers and their suppliers, according to BE's Maddocks. "We see that the consumer isn't demanding [the product] and we try to stimulate awareness by advertising it," she said.

With all the new painting accessories being introduced to the market, "Our biggest problem is trying to educate the consumer to exactly what [our product] does," said Dan Bergelmann, a spokesman for Power-Flo Products Corp. in Minneapolis, which distributes nationally its non-splattering "Power Stick."

To address that concern over consumer instruction, the Atlanta-based Home Depot has held free project demonstrations on weekends in its Southern California stores. One seminar, titled "How to use and maintain a Wagner Paint Spray Gun," underscored the emphasis on consumer education in the applicator category.

Bergelmann said Power-Flo was surprised to discover that Paint Stick is popular among consumers as well as professionals. This has led to the development of a "Contractor Stick" containing extra accessories, including a clamp-on lid for a five-gallon paint can, to debut next spring. Though contractors often use rollers that require

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Rodale Study:

Consumers favor specialty stores when buying paint

By an NHCN staff editor

NATIONAL REPORT — Home centers and building supply stores lag far behind paint specialty stores, department stores, discount stores and even hardware stores as places where consumers look to purchase interior and exterior paint.

But according to a nationwide survey of nearly 20,500 people, home centers appear to be drawing the same affluent customer living in a more expensive home shopping paint stores.

The study, conducted for a full year and released in late 1986 by Rodale Press' *Practical Homeowner* magazine, also found that home centers have a stronger following in certain geographic regions—the suburbs, the Middle Atlantic and Pacific states—than other competitors selling paint.

The *Practical Homeowner* study, which is nationally projectable to 172 million households, found that 34,613,000 households, 20.2 percent of the total, purchased interior paint in the previous 12 months of the survey, and 25,328,000, or 14.8 percent, bought exterior paint.

Among interior purchasers, the highest percentage were 35 to 64 years old with annual incomes exceeding $50,000 and suburban homes worth $100,000 or more, where they have lived for between two and four years. Three in 10 lived in the Middle Atlantic states, with another one-quarter living either in New England or the East Central region.

A full half of the exterior paint purchases were made by consumers between 35 and 64, and almost half were from households with incomes between $25,000 and $49,999.

Three in four were married and eight in 10 owned their own homes, valued at between $50,000 and $99,999.

Nearly two-thirds of the exterior paint buyers had resided in their homes for more than five years. Almost two-fifths were suburbanites and about one-fifth lived in Middle Atlantic states.

As the accompanying charts show, home centers are not doing so well against other types of retailers—including paint stores, department stores, discounters and building supply outlets—in attracting consumers, based on responses of where people bought paint last year.

The study, though, also tracked buying by an "activity index," which takes the percentage of households that bought paint within a demographic group and compares that number with the national average.

That index can then be compared with indices for other stores as well as the U.S., which would be 100, to get a relative feel for how active each demographic group is at each store type. For example, the index for paint stores in the 35 to 64 age group was 114.8; 131.8 for discount stores; 98.2 for hardware stores.

Home centers tallied indices of 192.9 and 175.6, respectively, for interior and exterior paint buying activity among households whose income was $50,000 or more, by far the highest totals for any paint retailer, including paint specialists.

Its indices of 183.4 and 172.6, respectively, for interior and exterior paint buying among those with homes worth more than $100,000 were higher than any other paint retailer.

Looked at geographically, home centers had the highest exterior paint buying activity indices among households located in the suburbs (128.4) and in the Middle Atlantic states (a whopping 211.6, compared to 159.9 for department stores, their nearest challenger in this area).

And home centers were the only store group to register an index of 100 or better among households in the Pacific states (118.8), where home centers have greatly expanded .

These relative strengths bode well for home centers taking a bigger chunk of the paint market in the future, but the survey also showed home centers manifest definite weaknesses against other retailers with different groups.

For instance, building material outlets were the only retailers selling interior paint to have a strong showing with all home value groups, registering an activity index of 120.4 for those whose homes are worth $50,000 or less; 139.3 among those in the $50,000-$99,999 sector; 107.2 with

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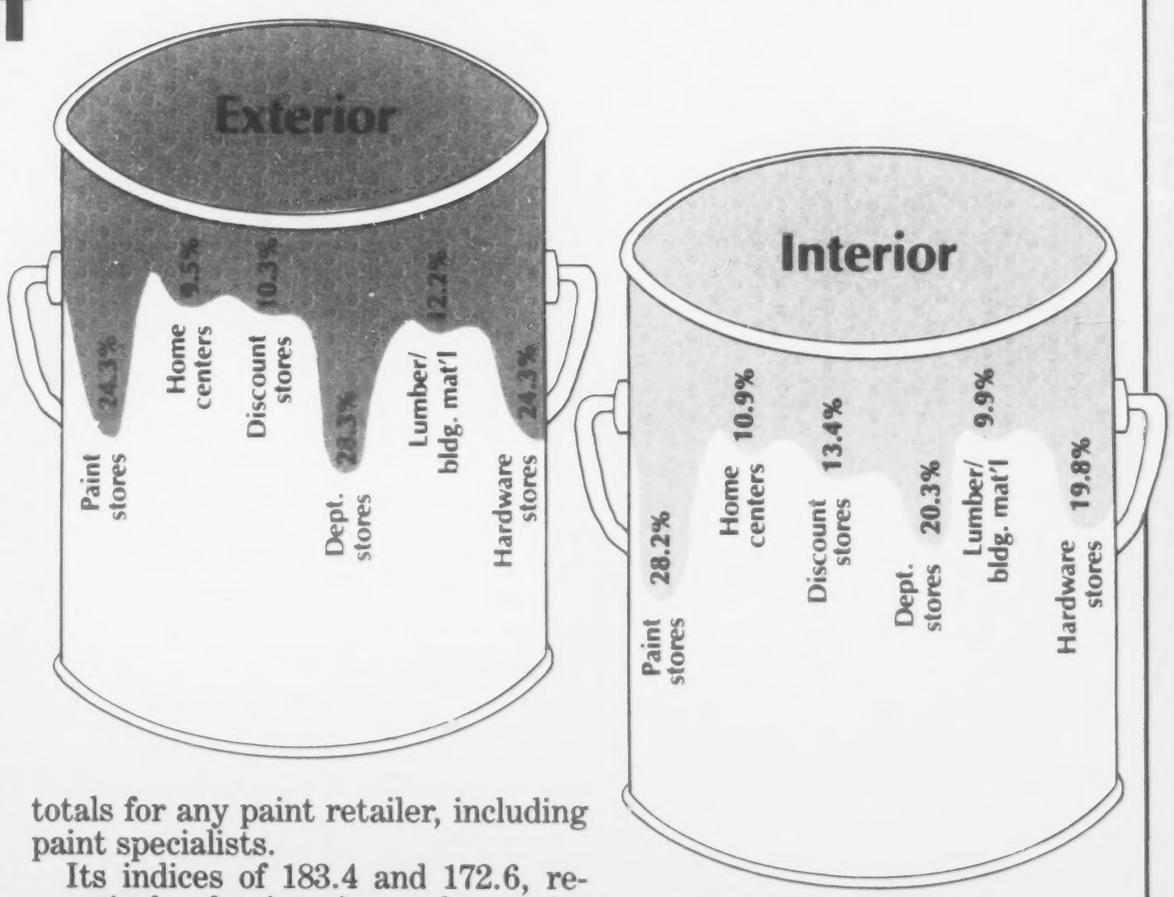
Where Consumers Buy Paint

Chart shows percentage of total households that bought interior and exterior paint by retail store group.

(Numbers exceed 100 percent due to multiple responses.)



Source: Rodale Press' *Practical Homeowner* U.S. profile of DIY Consumers, MRI-Fall, 1986.

NHCN chart.

Perspectives

cover story

Nonsplattering applicators broaden paint sundries market

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a power source to pump paint from the can to the roller, the Power-Flo Paint Stick, Wagner Handi-Roller, Padco Spatter Shield Roller and EZ Paintr's EZ Roller are simpler and less-costly versions that don't require electricity to operate.

Some home center retailers, however, say there is skepticism about the new paint tools not working as well as consumers expect.

One retailer asserted that one automatic roller "works all right, but there are some tricks to it. If you turn it sideways, you could dump paint all over yourself. Some customers will have that sort of negative experience and next time they'll return to the conventional tray, roller and pad."

That argument was countered by David Roberts, merchandise manager for Milwaukee-based EZ Paintr, a division of The Newell Group, who said that its EZ Roller was introduced in the fall of 1984 after research indicated that "consumers want to make the job of painting neater, cleaner and easier."

EZ Roller's system features a built-in paint reservoir that automatically feeds the roller as the paint is applied. "A quarter-gallon of paint will paint a 10x10-foot area," said Roberts. "The painter doesn't have to refill, and this saves time reloading from a pan."

Pricing war greets Paint Factory debut

(Continued from page 29)
provide free in-store consultation. Main products include wallpaper, draperies, flooring, carpeting, tile, window treatments and accessories.

The DIY Center in the middle of the store contains warehouse-style racks. A separate "Contractor's Pro Shop," with lounge, contains bulk-size paints, professional generators, air compressors, pressure washers and sprayers.

Bocola conceded that first-time visitors have said, "This is too much to comprehend in one visit." But they're also positive about the new format. "They say it's awesome."

There are approximately 8,000 stock keeping units in stock and an additional 20,000 skus available through special order. But company officials don't believe they are spreading the concept too thin. There is a conference room for outside interior designers who may want privacy for their clients as they choose products. That contrasts with a 300-gallon bulk paint tank for pros.

Consumers favor specialty stores when buying paint

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the $100,000 and above set.

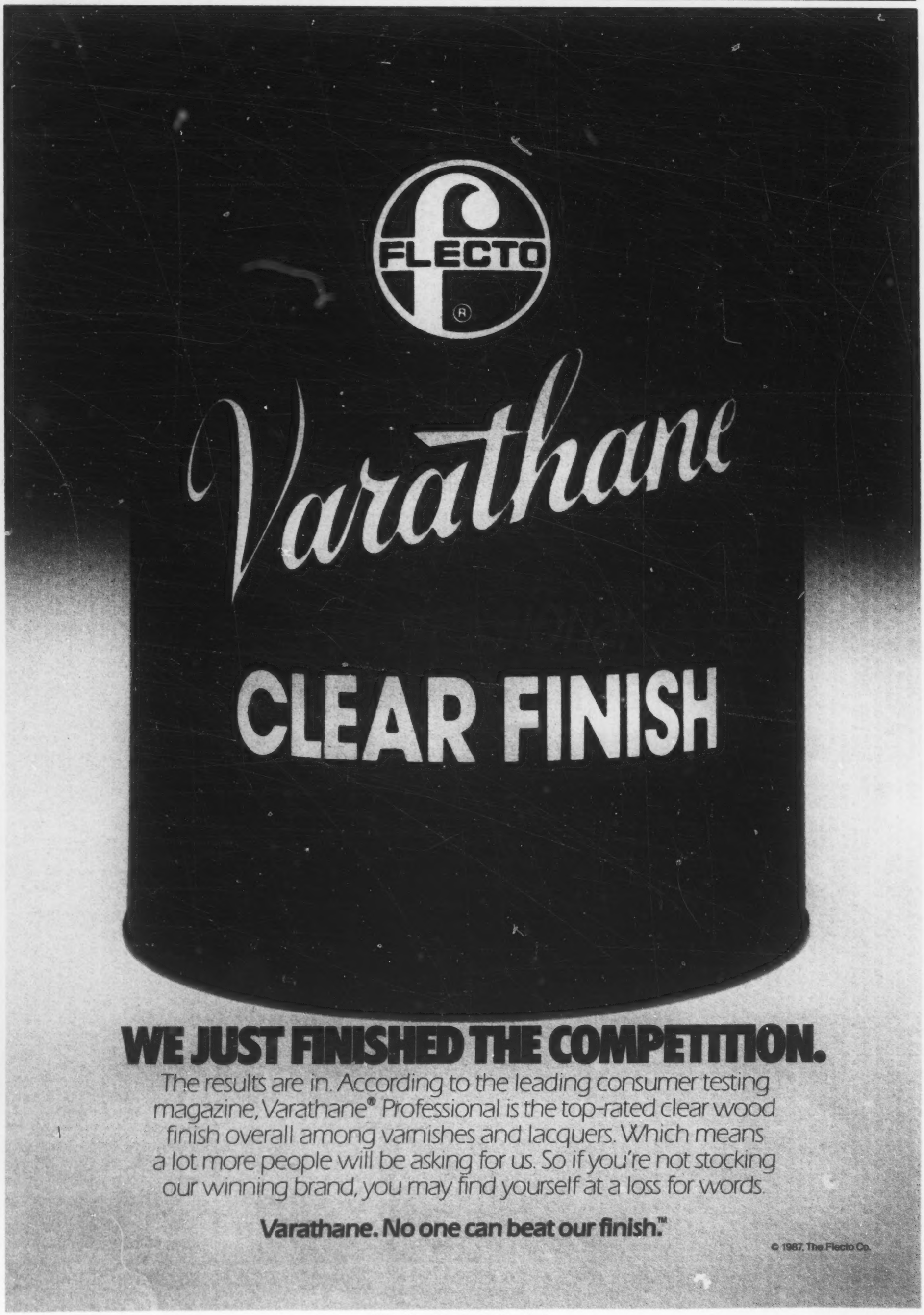
Building material stores also had the highest index for exterior paint buying in rural markets, with the activity level equaling 218.9, followed by hardware stores at 181.9.

Paint stores showed their greatest strength among those with homes of $100,000 or more (169 for interior paint buyers in this group, 146.2 for exterior paint purchasers) and with those whose incomes exceed $50,000 (154.4. and 148.1, respectively).

Department stores were strongest among paint buyers whose homes were worth between $50,000 and $99,999, and who lived in either the New England or Middle Atlantic states.

Discount stores had real strength among households with incomes under $50,000 (146.8 for interior paint, 167.8 for exterior) and with those in the East Central part of the U.S. (159.7 and 196.6, respectively). Discounters were also the only dealers to show any kind of drawing power in the Southwest.

(The one real anomaly in the *Practical Homeowner* survey was the poor activity showing registered by households in central city markets, which accounted numerically for nearly 20 percent of all the households that bought interior paint and 6 percent of households buying exterior paint. No retailer group had an index of 100 for central city shoppers.)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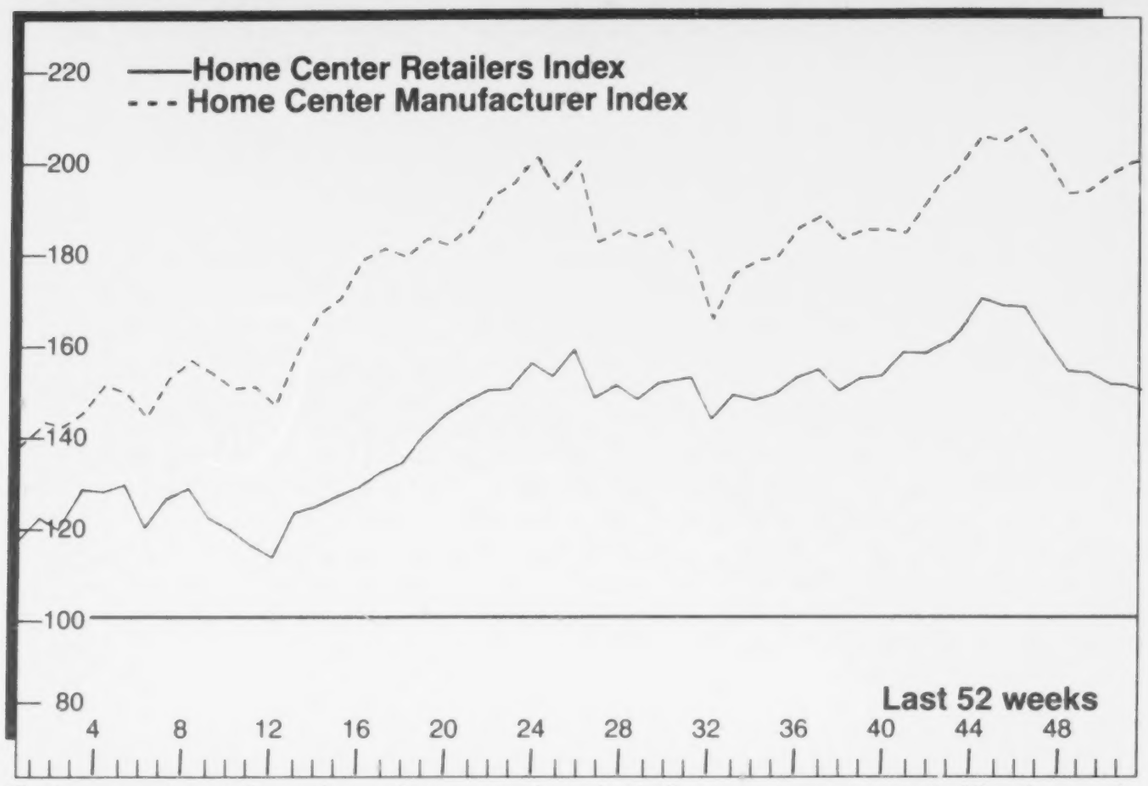
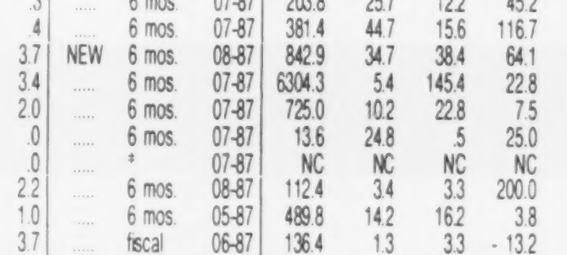


The home center retailer and manufacturer stock market indices are a measurement of the changes in aggregate market value compared to their value on October 16, 1987, which has been set to equal 100 on the index. Aggregate market value is the sum of each stock's price multiplied by its number of shares outstanding, adjusted to eliminate the effects of additions or deletions of companies to the *NHCN* stock list.

MOST ACTIVE STOCKS

Company & Market		Total 2-Week Volume	Volume Trend Change	2-Week Price Change
10-16-87		(100)	%	%
Waxman Ind	M	3,857	272.0	- 6.3
Hughes Supply	N	1,087	237.1	- 13.5
USG Corp	N	64,934	233.3	- 17.4
Macmillan Bloedel	M	38,253	227.0	- 9.4
Hechinger B	M	1,475	217.2	- 14.4
Pay n Pak	N	1,238	195.2	- 10.3
Zayre Corp	N	78,235	195.2	- 23.3
Masco Corp	N	48,783	188.3	- 17.2
Sears, Roebuck	N	122,018	184.2	- 20.4
Certain-teed	N	2,809	179.2	- 17.5

The Volume Trend Change is the per cent difference between the latest 2-week average volume and the previous 12-week average volume.*



PRICE MOVEMENT

Winners Company & Market		2-Weeks Ended 10-16	2-Week Price Change	Total 2-Week Volume
10-16-87		$	%	(100)
Moore Handley	M	8.50	3.0	104
Walter, Jim	N	59.50	.2	3,633
Losers		$	%	(100)
Pope & Talbot	N	18.00	- 25.0	3,393
Zayre Corp	N	24.75	- 23.3	78,235
Am Consum Prods	M	10.75	- 23.2	890
Triangle Ind	N	33.25	- 22.9	5,321
Armstrng Wrld	N	34.00	- 22.5	18,231
Stanline Inc	M	10.75	- 20.4	172
Sears, Roebuck	N	41.50	- 20.4	122,018
Hechinger A	M	18.25	- 19.8	6,672
Owens Corn	N	18.75	- 19.8	21,712
La Pacific	N	31.25	- 19.4	15,540

National Home Center News

HOME CENTER MARKET SUMMARY

Company and Market		Stock Market: Price: 2-Weeks Ended 10-16-87	2-Weeks Change: Amt.	2-Weeks Change: Pct.	2-Week Range: High	2-Week Range: Low	52-Week Range: High	52-Week Range: Low	Volume: 2-Weeks Shares Traded: Total	Volume: 2-Weeks Shares Traded: % Out	Volume: 12-Week Avg. Vol. As % Out	Volume: Trend Change	Financial Update: P/E Ratio	Indicated Divd. Rate: Amt.	Indicated Divd. Rate: Yld.	Latest Report: New Report	Latest Report: Period	Latest Report: Date Ended	Latest Quarter: Revenue: Amt.	Latest Quarter: Revenue: Chg.	Latest Quarter: Net Income: Amt.	Latest Quarter: Net Income: Chg.	Latest Quarter: E.P.S.: Amt.	Latest Quarter: E.P.S.: Chg.	Year-to-Date: Revenue: Amt.	Year-to-Date: Revenue: Chg.	Year-to-Date: Net Income: Amt.	Year-to-Date: Net Income: Chg.	Year-to-Date: E.P.S.: Amt.	Year-to-Date: E.P.S.: Chg.
		$	$	%	$	$	$	$	(100)	%	%	%	-	$	%	-	-	-	$Mil	%	$Mil	%	$	%	$Mil	%	$Mil	%	$	%
Retailers																														
Gen Bldg Prods	M	8.25	- 1.25	- 13.2	10.00	8.25	12.50	8.25	611	1.53	.71	115.5	11.6	.00	.0	NEW	9 mos.	08-87	19.7	16.6	.8	14.3	.19	- 17.4	49.5	21.3	1.8	38.5	.48	9.1
Grossman's Inc	M	7.38	- 1.50	- 16.9	8.75	7.25	11.25	6.75	9,864	4.93	3.77	30.8	NE	.00	.0	.....	6 mos.	06-87	310.7	32.3	8.2	NE	.41	NE	502.7	7.0	1.7	NE	.09	NE
Hechinger A	M	18.25	- 4.50	- 19.8	23.00	18.25	26.50	16.25	6,672	6.10	6.63	- 8.0	NA	.16	.9	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Hechinger B	M	19.25	- 3.25	- 14.4	22.50	19.25	26.75	16.25	1,475	.92	.29	217.2	17.3	.06	.3	.....	6 mos.	07-87	203.8	25.7	12.2	45.2	.38	40.7	368.6	23.3	19.8	48.9	.62	44.2
Home Depot	N	20.00	- 4.63	- 18.8	26.25	19.88	28.09	11.09	16,899	3.83	2.31	65.8	22.2	.08	.4	.....	6 mos.	07-87	381.4	44.7	15.6	116.7	.33	73.7	715.4	47.2	28.4	130.9	.62	93.8
INTERCO Inc	N	42.75	- 5.50	- 11.4	48.38	42.75	54.00	36.63	7,758	1.95	.99	97.0	12.4	1.60	3.7	NEW	6 mos.	08-87	842.9	34.7	38.4	64.1	.90	21.6	1624.3	34.8	64.9	71.7	1.52	26.7
K mart Cp	N	34.00	- 7.25	- 17.6	41.25	33.25	48.38	28.84	81,218	4.03	1.85	117.8	10.6	1.16	3.4	.....	6 mos.	07-87	6304.3	5.4	145.4	22.8	.71	22.4	11898.7	6.3	260.9	24.2	1.28	21.9
Lowe's Cos	N	22.50	- 2.75	- 10.9	25.75	22.50	32.75	22.50	12,993	3.28	1.42	131.0	15.4	.44	2.0	.....	6 mos.	07-87	725.0	10.2	22.8	7.5	.57	5.6	1294.2	8.6	35.7	9.5	.90	5.9
Natl Hardgoods	M	6.50	- .75	- 10.3	7.13	6.25	10.00	6.50	147	1.08	.96	12.5	8.4	.00a	.0	.....	6 mos.	07-87	13.6	24.8	.5	25.0	.32	28.0	22.4	28.7	.5	25.0	.35	25.0
Natl Lumber	M	4.75	- .25	- 5.0	5.50	4.75	7.50	4.00	436	.77	.38	102.6	NE	.00	.0	.....	*	07-87	NC	NC	NC	NC	NC	NC	81.8	NC	.4	NC	.07	NC
Pay n Pak	N	18.50	- 2.13	- 10.3	20.63	18.38	21.50	10.63	1,238	1.24	.42	195.2	18.5	.40	2.2	.....	6 mos.	08-87	112.4	3.4	3.3	200.0	.33	200.0	227.8	6.5	7.7	126.5	.77	126.5
Payless Cash	N	16.00	- 2.00	- 11.1	18.13	16.00	26.88	15.88	9,041	2.61	2.15	21.4	12.6	.16	1.0	.....	6 mos.	05-87	489.8	14.2	16.2	3.8	.47	4.4	821.9	16.9	19.7	9.4	.57	9.6
Scotty's Inc	N	13.88	- 1.13	- 7.5	15.13	13.88	15.88	12.00	2,798	1.92	.70	174.3	19.5	.52	3.7	.....	fiscal	06-87	136.4	1.3	3.3	- 13.2	.23	- 11.5	515.3	4.3	10.3	- 23.7	.71	- 23.7
Sears, Roebuck	N	41.50	- 10.63	- 20.4	52.25	41.00	59.50	39.00	122,018	3.24	1.14	184.2	10.1	2.00	4.8	.....	6 mos.	06-87	11718.0	9.0	390.4	37.0	1.03	33.8	22198.0	10.2	678.3	41.3	1.78	38.0
Std Brd Pnt	N	23.50	- 3.63	- 13.4	27.13	23.38	31.88	20.88	11,462	10.28	5.64	82.3	17.0	.60	2.6	.....	6 mos.	07-87	92.4	3.6	5.3	10.4	.48	14.3	171.8	2.9	8.4	3.7	.76	7.0
Strober Organiz	M	11.50	- .88	- 7.1	13.00	11.25	15.25	10.25	868	1.43	1.05	36.2	12.1	.00	.0	.....	6 mos.	06-87	26.3	3.1	1.6	6.7	.26	- 16.1	47.6	9.7	2.6	18.2	.43	- 4.4
Wickes Cos	N	14.13	- 3.25	- 18.7	17.38	13.75	25.00	13.75	22,808	4.77	1.85	157.8	4.9	.00	.0	.....	6 mos.	07-87	1453.9	30.8	27.4	31.7	.55	- 15.4	2994.3	42.1	110.1	201.6	2.25	200.0
Wolohan Lumber	M	12.75	- 2.50	- 16.4	15.50	12.75	18.75	7.75	2,443	4.17	2.37	75.9	10.4	.20	1.6	.....	6 mos.	06-87	64.6	17.2	2.6	44.4	.43	43.3	105.6	26.9	3.6	111.8	.61	117.9
Zayre Corp	N	24.75	- 7.50	- 23.3	37.00	24.50	37.00	21.00	78,235	13.46	4.56	195.2	8.9	.40	1.6	.....	6 mos.	07-87	1402.9	15.7	78.2	768.9	1.30	766.7	2698.7	19.6	99.2	286.0	1.66	286.0
Wholesalers																														
Hughes Supply	N	24.00	- 3.75	- 13.5	28.38	23.88	30.25	20.75	1,087	3.27	.97	237.1	10.5	.40	1.7	.....	6 mos.	07-87	109.1	25.1	2.2	22.2	.68	23.6	204.9	17.4	4.2	23.5	1.26	16.7
Moore Handley	M	8.50	.25	3.0	9.00	8.25	10.75	6.75	104	.42	.48	- 12.5	19.3	.00	.0	.....	6 mos.	06-87	23.4	14.1	.4	.0	.14	- 6.7	47.0	14.9	.7	.0	.28	- 20.0
Lewis Palmer	M	7.13	- 1.13	- 13.6	8.25	7.13	9.88	7.13	1,163	2.89	1.97	46.7	19.3	.28	3.9	.....	6 mos.	07-87	58.0	24.5	.4	.0	.09	- 25.0	110.9	37.9	.7	40.0	.18	28.6
Stanline Inc	M	10.75	- 2.75	- 20.4	13.50	10.75	14.00	8.00	172	1.01	1.11	- 9.0	9.7	.32b	3.0	.....	9 mos.	07-87	15.7	- 4.3	.5	0	.30	20.0	47.0	7.3	1.4	27.3	.80	31.1
Manufacturers																														
Am Consum Prods	M	10.75	- 3.25	- 23.2	14.00	10.75	14.25	8.50	890	4.29	1.92	123.4	16.0	.00	.0	.....	6 mos.	06-87	10.5	20.7	.4	100.0	.20	5.3	19.7	18.7	.7	250.0	.34	61.9
Am Standard	N	42.50	- 10.00	- 19.0	52.38	42.00	55.00	38.25	8,197	2.55	1.65	54.5	11.4	1.80	4.2	.....	6 mos.	06-87	878.1	12.0	39.2	- 51.1	1.24	- 41.8	1657.8	13.5	60.8	- 53.3	1.89	- 44.9
Am Woodmark	M	9.50	- 1.88	- 16.5	11.38	9.38	17.13	9.50	898	1.30	.50	160.0	10.6	.00	.0	.....	3 mos.	07-87	31.8	12.0	1.3	- 27.8	.19	- 36.7	31.8	12.0	1.3	- 27.8	.19	- 36.7
Armstrng Wrld	N	34.00	- 9.88	- 22.5	44.75	33.25	47.38	26.38	18,231	3.85	1.92	100.5	11.7	.90	2.6	.....	6 mos.	06-87	596.6	22.5	41.1	21.6	.87	24.3	1137.7	23.9	73.0	28.7	1.54	30.5
Black & Decker	N	22.00	- 3.38	- 13.3	26.13	22.00	26.50	15.75	22,390	3.85	2.01	91.5	30.6	.40	1.8	.....	9 mos.	06-87	465.0	11.6	9.0	221.4	.15	400.0	1432.7	5.9	40.6	60.5	.69	50.0
Boise Cascade	N	72.50	- 11.50	- 13.7	84.38	72.38	86.88	57.25	15,294	5.25	2.29	129.3	18.6	1.90	2.6	.....	6 mos.	06-87	936.0	.0	35.2	12.5	1.16	8.4	1848.2	.2	75.4	33.9	2.47	30.0
Certain-teed	N	33.00	- 7.00	- 17.5	40.00	33.00	45.75	28.63	2,809	1.48	.53	179.2	10.5	1.00	3.0	NEW	9 mos.	09-87	309.2	1.5	19.5	- 2.0	1.03	- 1.0	866.7	2.5	48.8	4.7	2.57	4.9
Champ Intl	N	37.88	- 6.50	- 14.6	44.50	37.00	44.63	27.88	50,987	5.41	2.38	127.3	10.5	.80	2.1	.....	6 mos.	06-87	1161.0	5.9	155.7	208.3	1.64	221.6	2258.2	1.8	211.2	191.3	2.23	214.1
Clairson Intl	M	9.25	- .25	- 2.6	10.25	9.25	18.25	9.25	1,427	2.80	1.83	53.0	21.5	.00	.0	.....	9 mos.	06-87	18.6	30.1	.5	0	.08	- 38.5	53.8	26.0	1.5	7.1	.30	- 21.1
Cooper Indus	N	62.38	- 11.75	- 15.9	74.50	62.13	74.50	37.75	14,246	2.87	1.41	103.5	19.4	1.68	2.7	.....	6 mos.	06-87	895.2	- .6	45.4	23.7	.91	19.7	1695.7	- 4.1	73.0	16.8	1.47	14.0
DeSoto Inc	N	35.13	- 3.13	- 8.2	38.13	35.13	43.75	35.13	605	1.53	.78	96.2	22.5	1.40	4.0	.....	6 mos.	06-87	118.7	- 9.7	6.8	38.8	1.73	69.6	209.0	- 8.5	9.0	23.3	2.27	48.4
Emhart Corp	N	21.00	- 5.00	- 19.2	26.63	21.00	26.63	15.56	8,314	1.33	.91	46.2	NM	.80	3.8	.....	6 mos.	06-87	629.0	19.2	28.8	37.8	.46	27.8	1231.6	18.7	56.8	42.0	.91	30.0
Georgia Pacific	N	37.75	- 7.75	- 17.0	45.88	37.63	52.75	35.63	43,103	3.96	2.26	75.2	9.7	1.00	2.6	NEW	9 mos	09-87	2424.0	27.0	118.0	21.6	1.10	22.2	6374.0	17.1	346.0	62.4	3.16	62.9
Insilco Corp	N	20.50	- 4.00	- 16.3	24.38	20.50	28.13	19.03	2,706	1.30	1.32	- 1.5	13.0	1.00b	4.9	.....	6 mos.	06-87	172.9	- 12.3	10.6	- 7.8	.50	- 9.1	348.6	- 7.6	18.4	.5	.87	0
La Pacific	N	31.25	- 7.50	- 19.4	38.75	31.25	39.75	27.31	15,540	4.06	2.90	40.0	12.9	.80b	2.6	.....	6 mos.	06-87	488.8	24.1	34.8	42.0	.91	40.0	911.7	27.2	51.1	97.3	1.34	94.2
Macmillan Bloedel	M	20.50	- 2.13	- 9.4	23.50	20.50	23.50	9.25	38,253	3.76	1.15	227.0	NA	.68	NA	.....	6 mos.	06-87	806.8	15.5	74.6	51.9	.68	58.1	1526.2	16.3	135.0	72.4	1.22	84.8
Manville Cp	N	3.00	- .38	- 11.1	3.38	3.00	5.38	1.63	8,171	3.40	1.76	93.2	.7	.00	0	.....	6 mos.	06-87	517.9	5.6	41.1	63.1	1.46	84.8	992.9	4.9	84.0	125.8	2.98	189.3
Masco Corp	N	27.13	- 5.63	- 17.2	32.75	26.75	40.88	25.00	48,783	3.69	1.28	188.3	15.7	.40	1.5	.....	6 mos.	06-87	489.0	49.5	65.8	27.5	.50	25.0	939.0	47.9	121.3	25.4	.92	22.7
Mor-Flo Inds	M	9.50	- 1.00	- 9.5	10.88	9.50	14.38	9.50	224	.90	.34	164.7	NM	.01	.1	.....	6 mos.	06-87	49.8	3.1	.1	- 87.5	.05	- 84.4	105.3	4.6	.7	- 53.3	.30	- 50.0
Newell Co	N	34.88	- 6.13	- 14.9	41.00	34.88	43.00	25.75	1,235	1.08	.76	42.1	15.0	.84	2.4	.....	6 mos.	06-87	94.7	- .4	6.5	27.5	.54	17.4	196.0	3.4	12.6	37.0	1.05	16.7
Nortek Inc	N	12.00	- 1.50	- 11.1	13.63	12.00	17.38	11.75	5,434	3.35	1.48	126.4	9.7	.10	.8	.....	6 mos.	06-87	333.0	48.8	2.0	- 81.8	.13	- 87.7	623.4	61.0	11.2	- 45.9	.70	- 65.2
Owens Corn	N	18.75	- 4.63	- 19.8	23.63	18.63	32.38	8.88	21,712	5.79	2.72	112.9	NA	.00	.0	.....		00-00	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ply-Gem	A	14.50	- 2.38	- 14.1	17.00	14.38	18.13	10.00	2,524	2.27	1.08	110.2	14.9	.12	.8	.....	6 mos.	06-87	82.1	38.9	3.8	58.3	.32	6.7	152.7	39.2	7.1	61.4	.61	8.9
Pope & Talbot	N	18.00	- 6.00	- 25.0	23.88	17.75	27.25	10.56	3,393	2.82	1.46	93.2	8.1	.44	2.4	.....	6 mos.	06-87	106.3	39.7	7.2	100.0	.60	93.5	206.6	37.5	13.9	348.4	1.15	342.3
Potlatch Cp	N	29.88	- 6.25	- 17.3	36.38	28.50	41.88	26.25	7,649	2.86	1.08	164.8	10.9	.92	3.1	.....	6 mos.	06-87	243.9	- 2.4	22.3	14.4	.80	14.3	492.5	1.9	40.1	21.1	1.43	21.2
PPG Inds	N	40.00	- 6.50	- 14.0	46.88	39.75	53.50	33.50	31,702	2.65	1.43	85.3	13.9	1.20	3.0	.....	6 mos.	06-87	1333.7	10.3	102.4	11.5	.85	10.4	2594.5	10.6	189.3	17.6	1.58	16.2
Sherwin-Wms	N	31.38	- 3.00	- 8.7	34.13	31.00	38.50	23.25	8,916	2.01	1.27	58.3	13.0	.56	1.8	.....	6 mos.	06-87	491.6	13.8	32.4	- 8.0	.72	10.8	872.1	14.1	40.6	- 3.6	.90	12.5
Stanley Works	N	28.25	- 6.50	- 18.7	35.00	28.00	36.63	24.13	4,953	1.16	.61	90.2	14.1	.88	3.1	.....	6 mos.	06-87	433.5	7.7	23.2	13.2	.54	10.2	850.3	17.0	42.4	20.5	.98	16.7
Thos Inds	N	19.00	- 2.25	- 10.6	21.50	19.00	22.63	15.50	682	.69	.44	56.8	13.6	.68b	3.6	.....	6 mos.	06-87	80.3	4.2	4.8	11.6	.48	14.3	159.0	7.5	8.6	14.7	.86	14.7
Triangle Ind	N	33.25	- 9.88	- 22.9	43.50	32.75	44.00	24.50	5,321	2.20	1.25	76.0	13.2	.12	.4	.....	6 mos.	06-87	1189.2	71.3	38.1	95.4	1.30	- 10.3	2101.4	78.4	44.4	95.6	1.50	- 3.2
Union Camp	N	39.63	- 7.88	- 16.6	47.50	39.00	48.19	34.03	20,451	2.78	1.60	73.8	17.0	1.16	2.9	.....	6 mos.	06-87	577.6	15.7	47.8	67.1	.65	66.7	1114.6	12.1	92.0	81.8	1.25	81.2
USG Corp	N	43.38	- 9.13	- 17.4	55.88	42.50	55.88	31.00	64,934	12.70	3.81	233.3	9.9	1.12	2.6	.....	6 mos.	06-87	726.3	- 3.5	58.1	- 23.8	1.13	- 1.7	1419.5	3.3	143.1	11.9	2.78	41.8
Walter, Jim	N	59.50	.13	.2	59.75	59.38	62.38	33.69	3,633	.92	4.10	- 77.6	17.0	1.20	2.0	.....	9 mos.	05-87	610.4	- 2.6	46.7	21.3	.60	- 53.5	1719.8	.8	112.6	27.2	2.22	- 8.6
Waxman Ind	M	11.25	- .75	- 6.3	12.38	11.00	13.25	6.53	3,857	6.10	1.64	272.0	18.8	.10	.9	NEW	fiscal	06-87	32.4	17.0	1.3	30.0	.20	- 37.5	117.1	19.7	3.8	35.7	.60	- 33.3
Weyerhaeuser	N	46.25	- 6.63	- 12.5	53.00	46.00	60.00	35.63	59,921	4.43	1.99	122.6	18.4	1.50	3.2	.....	6 mos.	06-87	1769.2	18.2	89.2	30.4	.63	37.0	3386.5	20.8	191.1	61.4	1.38	79.2

All Data are based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Reporting period
3 mos.—First quarter of fiscal year
6 mos.—First six months of fiscal year
9 mos.—First nine months of fiscal year
Fiscal—Fiscal year
NEW—New report since last issue

Last 52 Weeks

General Field Footnotes
NA—Not available or not applicable
NC—Data required for calculation currently incomplete in our files
NE—Negative earnings invalidate calculations
NM—No meaningful figure
a—Under dividend amount, indicates a stock dividend
b—Indicates cash plus stock dividend when applied to dividend amount column

P/E Ratio—Price/earnings ratio
E.P.S.—Earnings per share

Market
N—New York Stock Exchange
A—American Stock Exchange
O—NASDAQ Over-the-Counter
M—NASDAQ National Market

*Two-week average volume equals the number of shares traded divided by the number of shares outstanding during the latest two-week period. Twelve-week average volume equals the number of shares traded divided by the number of shares outstanding over the previous 12 weeks.

All earnings data and all related calculations using earnings data use primary earnings from total operations and after taxes. Earnings are before extraordinary items, when such items are applicable.

Data and Table Provided by Media General Financial Services Inc., Richmond, Va. 23219

Home improvement industry stocks plummet in panic

(Continued from page 1)

But the rest of the home improvement industry was starcrossed on Oct. 19.

Home improvement industry stocks plummeted about 22 percent in value. The 58 industry companies tracked for *NHCN* by Media General lost a combined $17.8 billion in value, dropping in total worth to $63.9 billion from $81.7 billion.

Of the $7.2 billion drop suffered by retail companies, all but $732 million was incurred by four companies: Sears, K mart, Interco and Zayre.

Home Depot also had problems, dropping 4½ to 15½, a 22.5 percent drop, which company chairman Bernie Marcus attributed to the stock's higher-than-average price /earnings ratio.

"If you are looking for a reason" for the market's pendulum-like volatility, said Marcus, "I would advise you to go to an insane asylum. There's no logic to what happened."

Pension funds smacked

Even though many of the industry's stocks recouped over the next three days as the stock market bounced all over the place, the initial shock of Monday's crash was a sobering experience.

Pension funds with heavy market investment suffered, and the industry, trying to cope with confusion and uncertainty, pondered stock buybacks and acquisitions.

"I don't know of anybody who didn't take a big hit," said Brad Oelman, vp-corporate relations for Owens-Corning Fiberglas, which has a whopping 75 percent of its pension fund assets in stock.

Because O-C's plan was overfunded, Oelman said some of the shock for the Ohio company was cushioned. But he added: "We don't have much leeway left."

At Scotty's, where about 50 percent of pension fund assets are stocks, "there's going to be a drop, no doubt about it," said cfo Harold Taylor.

The pension fund of Excelsior, Minn.-based Lyman Lumber also suffered. Stocks which comprise about 20 percent of the pension portfolio dropped 22 percent, bringing it back to Jan. 1 levels, said Jim Hurd, executive vp.

"We were not real impressed with the day," he said.

Ironically, Grossman's pension fund benefitted from the company's residual Chapter 11 status, because the company is still extricating its plan from Evans Products, its former parent. Stanley Berman, executive vp-administration, said the fund money had been shifted to more conservative investments.

Stock repurchases pondered

As the market continued to gyrate toward week's end, many major companies were considering the feasibility of stock buybacks or acquisitions.

Payless Cashways jumped in early, announcing on Oct. 20 a one million share buyback of its common stock, about 3.5 percent of its total outstanding shares.

Payless stock dropped 3⅜ Monday, and ⅛ on Tuesday to close at 12½. Its stock closed at 13½ on Wednesday, meaning that the repurchase would cost anywhere from $12.5 million to around $14 million.

"There's lots of companies in corporate America that are probably doing the same thing we did, which is why the market is so strong today [Wednesday]," said Steve Lightstone, Payless' senior vp-finance.

Lowe's announced that it would go to market and repurchase $17 million worth of its stock for next year's contribution to its Employee Stock Ownership Program. The buyback would equal around 880,000 shares, based on the company's Wednesday close at 19¼, according to W. Cliff Oxford, Lowe's vp-investor relations.

O-C's Oelman said a buyback was "a potential option." But he noted that O-C's restructuring last year and subsequent heavy debt could make that difficult.

Some see silver lining

But Jeffrey S. Silverman, chairman and president of Ply-Gem Industries Inc., said he's more interested in other companies.

"We've already got our hit list," said Silverman, who is well known for his active takeover maneuvering.

Silverman said the crash will ultimately be good for business, a sentiment that was echoed throughout the industry.

The movement of capital from the stock market into bonds—which began last week—generally signals a decline in interest rates, Taylor of Scotty's said, which should fuel home buying and repair.

In addition, Chemical Bank and Marine Midland Bank reversed their prime rate increases on Tuesday, dropping that rate for the most creditworthy commercial customers to 9¼ percent.

The increased demand for bonds means prices should drop, said Fred Flick, vp-forecasting and policy analysis for the National Association of Realtors, and mortgage rates are generally tied to long- and short-term bonds.

In Toronto, where manufacturers were attending the National Hardware Convention, there was more worry over consumers' perceptions of the crash than the actual decline.

"I still think the economy is in reasonably good shape," said Nolan Archibald, chairman of Maryland-based Black & Decker. "The scary thing is that people are going to feel so much poorer that they're not going to go out and buy the things they were planning to."

This article was prepared with assistance from senior editor Phillip M. Perry

Calif. law forces reformulation of paint, stains

(Continued from page 1)

the sale and use of solvent-based finishes have caused "concern" among the association's membership.

For the time being, it appears that U.S. stain products will be forced to make two types of product: one for California and one for the rest of the country.

The association believes that the best performance comes from solvent-based finishes on redwood decks, exterior siding and interior paneling. Water-based formulations are not as long-lived and do not block stains as well as oil-based finishes.

As previously reported (*NHCN*, Sept. 21), the new EPA rules affect oil-base enamels, varnishes, waterproof sealers and more than two-dozen other coatings.

The rules refer to the chemical composition of architectural coatings. They are designed to reduce emissions of hydrocarbons in the form of volatile organic compounds (VOCs).

The new limitations restrict the sale of any stain and wood preservative or sealers which produce emissions of more than 350 grams of volatile organic hydrocarbon effluents per fluid liter.

No alternative suggestions

Fantozzi of the Redwood Association said that it has been unable to make any strong consumer recommendations for alternative products. "There are manufacturers who have come up with reformulated products, but whether they will perform, time will tell," he said.

The problem is that "nobody has yet found an acceptable alternative formula for solvent-based sealers and repellents," Fantozzi continued.

The association is asking the EPA to reconsider the VOC limits on coatings and to consider an exemption that would allow higher VOC-containing finishes to be used on specific substrates such as redwood and cedar.

Ted Smits, a spokesman for Darworth Company, the Avon, Conn.-based manufacturer of Cuprinol oil-based stain and wood preservative, said its products already comply with the new EPA VOC limitations in California "because they use linseed oil instead of petroleum-based distilates, which causes the pollution problem."

At Glidden, Bob Minucciani, a scientist for regulatory affairs and compliance coatings, said Glidden is in the process of test marketing a modified solid-color stain to fall within EPA guidelines. Minucciani said Glidden will soon offer EPA-approved stains in the 11 Western states with special labeling.

Minucciani, who served on an architectural coatings task force group sponsored by the California Air Resources Board, said there are still many "nuances" to the EPA guidelines that need to be worked out.

Strober to undertake major acquisition

(Continued from page 7)

General did $43 million in business last year. It has a single lumberyard and one kitchen and bath showroom, and plans to open a second this December. All three locations are in East Hartford, Conn.

The two contractor-oriented companies combined should achieve $104 million in 1987 sales. (Only part of General's revenues will be included in Strober data.)

In 1988, the two companies should do $165 million, as estimated by Timothy L. Jones, an analyst with for Oppenheimer & Co., New York.

Strober is still looking for additional companies to purchase. The fact that it can do so without losing track of current operations is a reflection of the care it has taken to insure the compatibility of General with current operations.

Two key personnel will be staying on as management at General and will also be joining the Strober board. These are Ed and Eliott Zieky, who will be named senior vps.

"As far as the day to day operations, General will be very autonomous," said Gary Nacht, Strober's chief financial officer.

Strober plans to add kitchen and bath departments to many of its current yards, and may possibly build additional free-standing kitchen and bath stores. The merger may depress Strober's short-term gross margins. This will be offset by lowering selling, general and administrative expenses at General.

Gross margins at General should be enhanced when Strober adds new products like gypsum and hardware.

Nacht said Strober plans to flex its $30 million credit line for future acquisitions, and is looking for buys in the region north of Washington, east of Pittsburgh and throughout New England.

Enough HOME assets 'to fill a store' hit auction block in Nov.

(Continued from page 6)

tory at the Coral Springs store was added to the merchandise at the Naples mall where the auction will be conducted.

"I have no way of knowing how close to fair market value it is," he said, "but this place has a large amount of inventory."

Schwartz has previously handled auctions that brought as much as $11.7 million. He indicated that, in some cases, there seemed to be enough HOME inventory to fill entire departments in electricals, kitchen cabinets, lumber and building materials, tools and outdoor furniture.

With regard to operating equipment available for bid, Schwartz said there are forklifts, conveyor belts, shelving, and even a computer system for designing kitchens.

Court appoints formula

He explained that when sales from an auction are less than the liabilities sought by creditors, the court typically comes up with a formula to divide the proceeds equitably.

Persons who attend the auction are expected to pay a $100 cash deposit to register to bid. If the bidder buys nothing, the money is returned.

Meanwhile, Milton Friedman, an attorney acting as a trustee on behalf of the creditors but who does not represent any one creditor or block of creditors, said he is satisfied with the level of cooperation and information HOME has forwarded to him.

However, he added that he has been apprised of numerous unsavory rumors about the company's method of conducting business but has not pursued them for lack of substantiation.

Evidence of any wrongdoing on the part of HOME's officers would be enough for him to bring some action against them, he said.

"If I felt there were certain transactions that were not completely above board, we would act on it," he said. "But my responsibility is not to react to rumors, but to consider them and to see which, if any, can be substantiated."

Kitchen cabinet maker files for Ch. 11 protection

(Continued from page 7)

its ready-to-assemble kitchen cabinets. Moving into the preassembled cabinet market absorbed more than the anticipated funds.

"We started production of nine new lines of assembled cabinetry in the first quarter of 1986," said Johnathan Church, vp-marketing/sales for Belwood. "We used up the money we had to do that."

However, the company is paying its bills and is on solid footing with vendors.

Church said Belwood had attempted to cure its liquidity crunch earlier this year when it took out a series of loans from First Tennessee in May.

Belwood employs 459 people. In addition to its main office in Ackerman, Miss., the company operates a sales office in Memphis, Tenn., and also a plant in Tylertown, Miss.

Dealer taps home center manager to develop DIY unit

(Continued from page 7)
48-foot run of automotives called for in PASHA's blueprint and replacing it with building materials. Where laundry products were supposed to be, millwork was installed.

A more complete assortment of hardlines appeared where pet supplies was to be. Special bath displays were also built.

In addition, Williamson took a bolder step by going with a "Best, better, good" product assortment, so that gondola runs are featuring higher-end products.

"I selected the merchandise I'm stocking very carefully, and I believe it's much better to go with the best quality stuff first," said Williamson, who added that this market, about 30 miles south of Philadelphia, has the demographic profile to support such a product mix.

The store also has a separate area for contractors to order merchandise and get back to work quickly. The tool department features best-quality levels and rules and a strong assortment of masonry equipment, as well as prograde Milwaukee power tools. And the yard stocks an ample assortment of lumber and building materials.

Contractor and DIYer concerns merge in the store's "X-ray House," designed by Williamson with kitchen and bath department manager Mike Morrison. The house, in the back of the store, has cutaway sections that show all the product that is needed for a home remodeling job.

The company had been a masonry supplier since 1924 until its president J. Leon Hagerty (who passed away in June at the age of 72) began discussing the opening of a new home improvement store with a number of the hardware co-ops.

Two and a half years ago, Hagerty decided to join Ace, the Oak Brook, Ill.-based buying group, and began working with Ace's regional representative Rick Johnson.

"I wanted to open a store like this because I didn't intend to be in the masonry business all my life," joked Larry Hagerty.

The store, with 2,000 square feet of office and employee space, cost around $1.6 million to construct, and opened with $300,000 in inventory at cost and 30,000 stock keeping units, of which 20,000 hardlines are stocked in the store.

Williamson, who has done stints at Channel and Grossman's, as well as running a construction company and two independent hardware stores, seems pleased with the results of his labor, while admitting that the Hagerty Ace unit needs some finetuning in its seasonals, kitchen and bath, and heating and cooling departments.

Ace's PACE computerized inventory management system will take another four to six months before it's completely operational. And some departments will be shifted around and filled in.

But that won't hinder his and the Hagertys' plans for the company, which include opening a second store next year with a stronger emphasis on millwork, lumber and kitchen and bath. A third unit, to open in 1989, will have a truss manufacturing facility.

Suppliers optimistic at hardware convention

(Continued from page 5)
supplier.

Attendees were warned, though, that when it comes to marketing, it's war out there.

'Marketing is warfare'

"Marketing is total warfare and the prize is the consumer's mind," Al Ries, chairman of Trout & Ries Advertising, told the audience at the convention's opening session.

He said suppliers should narrow their product focus instead of putting their names on every item they make.

"People are always looking for the cheap way out," he said, explaining manufacturers' reluctance to develop different names. "The essence of line extension is greed. The essence of positioning is sacrifice. The reason you sacrifice is to develop a message."

D. Bruce Merrifield Jr., president of the Merrifield Consulting Group in Cos Cob, Conn., urged the audience to focus on major customers and exclusive supply contracts. The difficult part, he said, is providing extra service to those accounts. "Some people's idea of providing extra services is to give the guy a baseball cap," he said.

At the beginning of the session a moment of silent prayer was offered for Peter Vaida, who died Sept. 29 when the plane he was flying crashed after takeoff from Alexandria Field Airport in New Jersey.

Vaida, 65, was a well known industry figure and served as president of the American Hardware Manufacturers Association from 1977 to 1978. At the time of his death, he was a consultant with the Warren Tool Group in Hiram, Ohio.

Vaida is survived by his wife, Ritter, two daughters, two stepsons, two brothers, a sister and five grandchildren.

Retail warehouse executives form new wholesaling venture

(Continued from page 5)
common stock, or 2.6 percent of the outstanding shares.

K mart has no policy prohibiting company officers serving in executive positions at other companies, and is concerned only when the individual's corporate duties would be impaired, said Robert Stevens, K mart's vp-government and public relations.

"We have a very aggressive growth by acquisition strategy," said Builders Design's president Robert Salyard.

He said the company should do $100 million by the middle of next year, and is looking for acquisitions doing $10 million to $35 million in sales.

The company operates four designer showrooms in Florida and one in Norcross, Ga. Each showroom is from 1,000 to 1,500 square feet.

The company has signed letters of agreement to purchase two companies. On Sept. 18 it is to buy VBL Group, headquartered in Lindenhurst, N.Y.

VBL is an acronym for Venetian Blind Laundry and operates three custom window-treatment outlets. VBL should do $9 million this year.

Builders Design has also agreed to purchase an as yet unnamed $14 million West Coast installer of home carpeting.

The company plans to open a sixth designer showroom in Delray Beach, Fla., this fall. Additional showrooms are planned for Daytona Beach and Jacksonville, Fla.

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Vol. 13, No. 22 November 2, 1987

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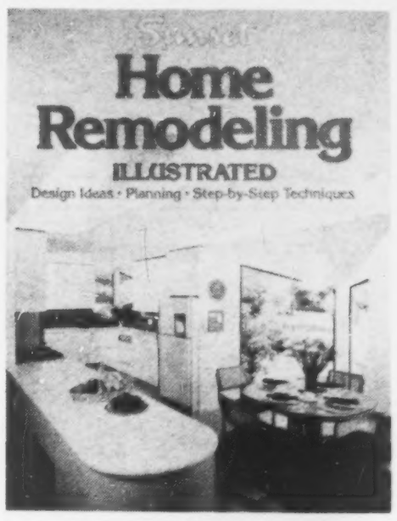

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Circle 78 on Reader Service Card

Retailers seeing the light in scanning

(Continued from page 6)
The opening session, "The Basics of Auto Identification," served as an introduction to the various technologies available, from UPC scanning to Magnetic Stripe technology (commonly used with credit cards) to Optical Character Recognition (OCR) to Radio Frequency (used to read coded data at a distance).

For retailers, real time, or up to the minute, data inventory was touted as advantageous for reducing inventory and increasing turns.

For manufacturers, scanning and coding provides a product tracking ability, currently in use by Federal Express, which enables the company to know where a given package is at any time.

'At what cost?'

While manufacturers acknowledged the benefits of CAM, the predominant question remained: at what cost? This was answered in part by Gary Blunck, project manager, Deere Technical Services, Deere and Company.

Without revealing specific details, Blunck explained that objectives such as reducing selling price, maintaining quality, increasing worldwide market share and increasing profitability were reached by implementing the new technology.

The message to manufacturers was clear, and its importance extends to retailers: higher quality domestic products at lower cost.

Georgia-Pacific expands dist. network

(Continued from page 7)
tered to specialty markets to which G-P wanted access.

What the merger includes

The merger also includes:

- Two USP facilities in St. Paul, Minn., and Mansfield, Mass., becoming full-line DCs serving G-P's customers;
- Another 10 USP facilities, part of the 12 specialty sales and distribution centers, will be established in Farmingdale, N.Y.; Philadelphia; Alexandria, Va.; Birmingham, Ala.; Columbia, S.C.; Hillsborough, N.C.; Arlington, Texas; Cincinnati; Tampa, Fla.; Providence, R.I.; Mira Loma, Calif.; and Atlanta;
- Five units will be set up for the mobile home and manufactured housing market;
- Some 28 undesignated USP facilities will become subsidiary operations to full-line distribution centers in existing geographic regions where G-P has operations nationwide.

"One of the main objectives of the acquisition was to enhance our existing sales and management team with experienced USP personnel," said George A. MacConnell, senior vp-distribution division, in a press release. "Together we will have the finest sales force in the . . . industry."

The integration is expected to be operational by Jan. 1, 1988, MacConnell said.

Disston purchase by giant U.K. toolmaker collapses

(Continued from page 1)
pany and purchased it in 1982 from the Swedish-based Sandvik AB.

Libby confirmed with *NHCN* that, had the deal been consummated, he would have received $10 million in cash at the closing and receive a six-year management contract to run Disston with an annual compensation of $400,000 and half of any pretax profits Disston made above $2.5 million. Libby would have maintained control of Disston.

Both Libby and other Disston officials were unavailable for comment with *NHCN* went to press.

It can only be speculated as to whether the international stock market crash during the week of Oct. 19 affected Neill Holdings' decision to terminate the acquisition.

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National Home Center News®

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Drought halts logging in Pacific Northwest

By Milford Prewitt
NHCN staff editor

OLYMPIA, Wash. — The fear of forest fires has prompted state and federal land managers to curtail timber harvesting on public and private lands, an action that may precipitate some lumber shortages and price increases.

Nick Kaiser, marketing manager of Weyerhaeuser's mill in Springfield, Ore., expressed support for closure guidelines and added, "Nobody ever thought it wouldn't rain here in October." NHCN photo

The U.S. Bureau of Land Management and the Oregon and Washington state natural resource management agencies ordered closures and other reductions in logging in late October on some 18 million forest acres in the Pacific Northwest. At the same time, recreational use of some forest land was brought to a complete halt.

Three months of drought and hot winds swirling off of the Cascade Mountains have made forests in the Pacific Northwest ripe for an inferno, authorities warn. The cessation of logging activity and camping should lessen the odds of accidental fires, authorities said.

Although some regions were totally shut down for log-

(Continued on page 55)

Market panic fosters fear of consumer spending drop

By Ariane Sains
NHCN staff editor

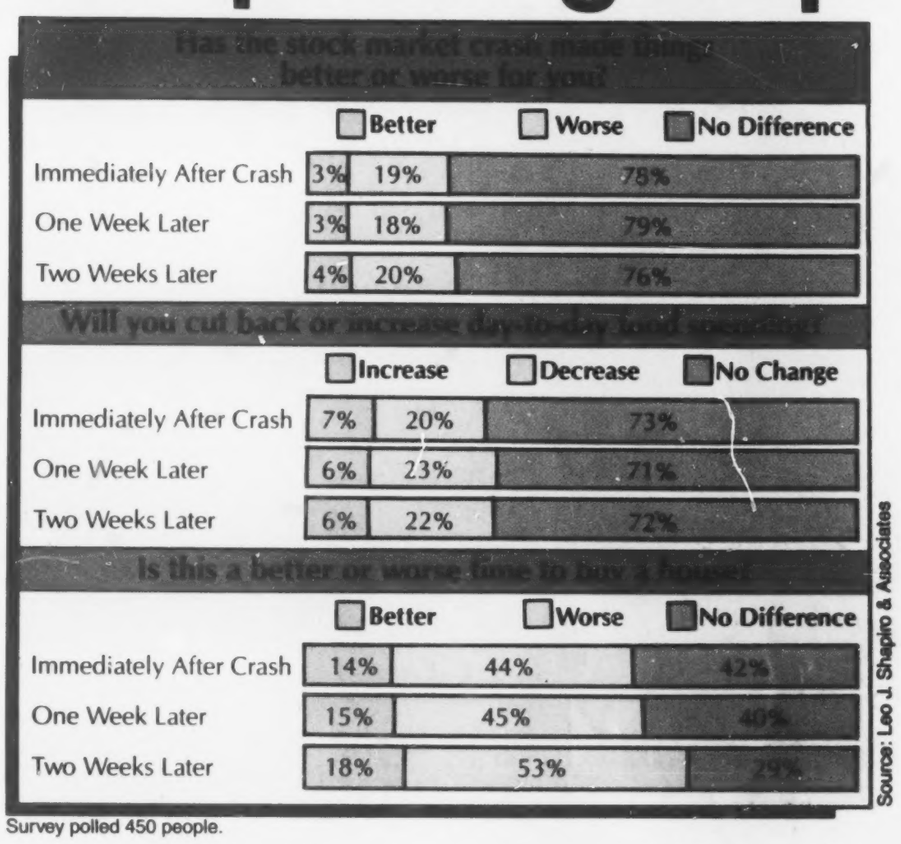
WASHINGTON — For many consumers, the stock market crash could distort reality like a fun house mirror.

So far, consumer spending levels appear unchanged. But economists and retailers fear consumers may decide economic conditions are worse than they are. And how frightened consumers are by that distorted image could determine the economy's fate for two years.

At worst, consumers will opt to save more and spend less over the next 12 to 18 months.

If so, the GNP growth will slow. Manufacturing will slacken. Owner-occupied repair and remodeling projects will fall dramatically. The only potential bright spot would be that new home construction and resales probably wouldn't suffer in 1988.

At best, consumers will pull back for about six months. Big-ticket spending will drop off, but consumers will continue to make what they consider to be necessary purchases.


Has the stock market crash made things better or worse for you?
Better
Worse
No Difference
Immediately After Crash 3% 19% 78%
One Week Later 3% 18% 79%
Two Weeks Later 4% 20% 76%
Will you cut back or increase day-to-day food spending?
Increase
Decrease
No Change
Immediately After Crash 7% 20% 73%
One Week Later 6% 23% 71%
Two Weeks Later 6% 22% 72%
Is this a better or worse time to buy a house?
Better
Worse
No Difference
Immediately After Crash 14% 44% 42%
One Week Later 15% 45% 40%
Two Weeks Later 18% 53% 29%
Source: Leo J. Shapiro & Associates

Survey polled 450 people.

"It's a battle of reality versus the imagination and fear of the consumer," says Morton Marcus, director of the University of Indiana School of Business's Research Center.

Because of the crash, consumers may feel less wealthy, even if they weren't investors. Instead of spending discretionary income—money that's left over after necessities are bought—they will use it to fatten their bank accounts.

(Continued on page 20)

Compensation survey shows regional trends

NHCN's 1987 Employee compensation study begins on page 27. Among its findings were that:

- Salaries are generally higher at survey participants in the Northeast where store managers, for example, receive a median salary of $37,500.
- Bonuses are seen by respondents as more important motivating forces than in the past for both mid- and upper-management personnel.
- Medical reimbursements are the most popular of all benefits.
- Profit sharing plans are offered by 42 percent of respondents, nearly double the participation in pension plans.

Conn. builder pioneers field of non-toxic construction

By an NHCN staff editor

NATIONAL REPORT — When Paul Bierman-Lytle began looking for healthy building materials three years ago, nobody knew what he was talking about.

"People had no idea what was in any of these things," the New Canaan, Conn.-based architect and builder said. "And they didn't think it mattered."

It mattered a great deal to Bierman-Lytle. As a builder he was constantly exposed to such toxic substances as formaldehyde, lead and pentachlorohenol present in build-

(Continued on page 56)

Wickes sizes up buyers for 225 lumber units

By Brad Altman
NHCN staff editor

LOS ANGELES — Immediately after Wickes Cos.' surprise announcement that it planned to sell Wickes Lumber, potential buyers surfaced, a company official has disclosed.

"There have been people who have expressed interest" in acquiring the 225-unit chain, general manager Les Hagen told *NHCN* in an Oct. 29 telephone interview. He would not say if formal bids were made but he indicated that Wickes is weighing various options.

"Lots of rumors are flying around," Hagen said when

(Continued on page 55)

INSIDE

Dealers bolster compensation to lure new workers 27

Bonuses rise and become incentive 29

Retailers don't take bedroom furniture lying down 32

Unfinished furniture sales on the rise 37

NEWSBREAKS

HOME FURNISHINGS WAREHOUSE DEBUTS: The 150,000-square-foot, IKEA-like unit called STOR opened Oct. 28 in Los Angeles, the first of a planned 30 units. Harvey Knell, former Ole's Home Centers ceo, is chairman.

NEW MARKETING VP AT PAY 'N PAK: Tim Lucia, senior vp-marketing at Ernst Home & Nursery, joined the Kent, Wash., chain Nov. 2, replacing Richard Friel. His spot at Ernst will be filled internally and report to vp-merchandising Tom Vertetis.

INDUSTRY UPDATE

Nortek withdraws Kincaid bid

PROVIDENCE, R.I. — Nortek dropped its $47 million hostile bid to acquire Kincaid Furniture, Hudson, N.C.

Nortek, the $962.8 million parent company of Dixieline Lumber, said a lawsuit brought against it by Kincaid, and the volatility of the stock market of recent weeks, were determining factors in the withdrawal of the hostile bid.

Kincaid makes traditional-style furniture sold primarily through specialty furniture dealers (*NHCN*, Oct. 19). Kincaid's lawsuit charged Nortek with violation of securities laws, according to Nortek spokesman Kenneth L. Donoghue. Kincaid dropped its lawsuit when Nortek's hostile bid was withdrawn.

Nortek continues to report problems managing the cash holdings it keeps on hand to facilitate prompt purchases. For the third quarter that ended Oct. 3, Nortek reported revenues of $352.5 million, up by 23.3 percent from the same period in 1986.

Earnings, however, came to only $150,000. That was off from the $6.5 million of the same period last year. The drop was largely attributable to the $10.3 million pretax loss on its investment securities.

Lone Star closes Lindsley deal

SAN ANTONIO, Texas — The deal selling the leases, assets and inventory of the 21-unit Lindsley Home Care chain in the Miami-area to Lone Star Hardware here closed October 30.

Linda Smith, spokeswoman for Lone Star's parent Westlake Hardware in Lenexa, Kan., said the Lindsley units would be referred to as the Florida division of Lone Star and would be renamed Westlake Hardware early next year.

The Lindsley units will undergo a significant remerchandising, dropping the home decor look it established in the last 16 months and moving immediately toward a more traditional hardware store posture, Smith said. Lone Star will also bring in 15,000 new hardlines stockkeeping units.

Payless drops credit card suit

KANSAS CITY, Mo. — Payless Cashways and Mercantile Bank of St. Louis, Mo., have ended their lawsuits over the administration and implementation of Payless' private label credit card.

Payless and Mercantile agreed to drop their respective suits and to assume their own legal costs.

Payless also agreed to purchase all the customer charge receivables from the bank. The amount was not disclosed.

Payless has contracted General Electric Credit Corporation to handle the administration of its credit card.

CoastAmerica, Amoco end deal

DENVER — CoastAmerica Corp. and Amoco Oil Co. have agreed to end a joint venture involving combination hardware and self-service gasoline outlets.

The three test sites in the Denver market—two Coast Car Care Centers and one Hardware X-Press—debuted in April and will be returned to Amoco by Nov. 30, said vp-treasurer Dan Shimer.

Shimer said, "The test was a success," but Amoco was not interested in expanding the number of outlets. "CoastAmerica is in active negotiations with a number of other parties" to replace Amoco, he added.

Coast Car Centers carried auto-related products. Hardware X-Press carried a general assortment of hardlines.

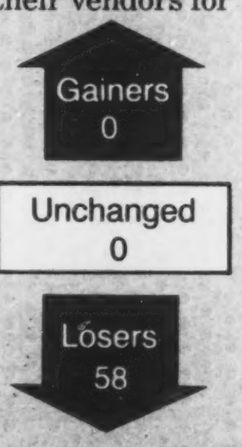
All home center stocks decline

NEW YORK — Misery Monday and its aftermath drove down stocks for home centers and their vendors for the two-week period that ended Oct. 30.

All 58 stocks tracked for *NHCN* by Media General declined during the period.

Standard Brands Paint declined 10.1 percent to close at $21.13. Scotty's declined 12.6 percent to close at $12.13. Hechinger A declined 13.7 percent to $15.75.

Moore-Handley was the biggest stock price loser during the period, falling by 47.1 percent to close at $4.50.



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Canadian retailers are urging manufacturers to use UPC labels

By Suzanne Floyd
NHCN staff editor

TORONTO, Ont.— Five major Canadian retailers are behind a nationwide effort to encourage manufacturers to put universal product code (UPC) labels on merchandise.

Compliance is expected by January 1, 1988.

Virtually every major retailer in Canada has backed this accord, including chains such as Beaver Lumber, Canadian Tire and the Canadian divisions of K mart, Sears and Woolco.

Ken Campbell, executive director of the Canadian Hardware and Housewares Manufacturers Association, Toronto, explained that as of January 1988, all packaged products would have to be coded with a 12-digit human readable label. This is to accommodate retailers that do not yet have bar code scanning.

Campbell acknowledged that the manufacturer reaction was "extremely cooperative." He did say, however, that little attention has been paid to the manufacturer's cost of implementing. "No one pays us a bit of attention when we say how expensive it is," he explained.

Ian Stewart, president of Newell Canada, estimated it will cost between $1 and $2 million to put UPC stickers on all 20,000 stockkeeping units his firm manufactures. He stated that 90 percent of Newell's products would be in compliance by January.

While it is acknowledged that the immediate benefit goes to the retailer, it will filter to the manufacturer.

"By being able to track sales and see trends immediately with regard to color and size, the manufacturer will, in the end, benefit," said Campbell.

David Oates, Canadian Tire's special projects supervisor, said that the country's largest hardware chain is currently working on the coding of its own private label merchandise.

Canadian Tire is taking the stance of not accepting products from outside vendors that are uncoded. CT will be using hand-held scanning devices at point of sale as well as for inventory control.

The decision to use scanning chainwide was based on a test run in Toronto. "It was very positive. The line-ups were reduced, the cashiers liked it." As far as the vendor reaction to the UPC mandate, Oates replied, "They realize it's a thing that's going to happen. They've been very cooperative, and the vast majority have been positive."

One reason for Canada's widespread success with getting manufacturers to code goods has to do with the unity of national chains which comprise some 30 percent of total retail, said CHHMA's Campbell.

USG files suit to bar hostile takeover

By an NHCN staff editor

CHICAGO — USG Corp. filed a suit Oct. 29 here in the Federal District Court to prevent Desert Partners LP from attempting to take over the company.

USG asked the court to bar Desert Partners, a partnership controlled by Texas multimillionaires Cyril Wagner Jr. and Jack E. Brown, from increasing its 9.8 percent share in USG. It is also seeking an order requiring Desert Partners to sell its shares.

USG claimed that Desert Partners had violated federal security laws by not disclosing all information under the Hart-Scott-Rodino Act.

USG also claimed that in a prior meeting with the company, Desert Partners had misrepresented itself and its plans for the company.

In a proposed transaction, Desert Partners stated that it would be possible to pay as much as $50 per share of the payment to shareholders, but no mention was made that this might be partly in subordinated debentures rather than in cash.

At the meeting Desert Partners had also said that because of its limited knowledge of the gypsum industry, it would prefer a transaction where management would participate with equity interest, according to a spokesperson at USG Corp.

On Nov. 1, however, USG, in a prepared statement, said that "senior management has no interest whatsoever in any kind of participation in a leveraged buyout with Wagner and Brown or in any other transaction."

Conflict of interest

USG is also concerned that there could be a conflict of interest between their non-defendant shareholders and Desert Partners' financial advisors, Prudential-Bache.

Its subsidiary, Prudential Insurance Company of America, is currently suing USG Industries (a subsidiary of the corporation) for "substantial compensatory and punitive damages and other relief."

USG stock closed at $35.25 on the New York Stock Exchange Oct. 30, down $2.25.

USG's stock had plummeted Oct. 19 by $11.88 to $31.50 and continued dropping to as low as $26.50 Oct. 27. Stock prices later rose with the speculation that Desert Partners might take over the company.

Desert Partners began purchasing stock Oct. 8, when USG shares were priced at $39.75. Its final purchase Oct. 5 was of 107,800 shares at $53 per share.

U.K. storm stirs up home center sales

By an NHCN staff editor

LONDON — A freak storm that hit the British Isles on Oct. 15 has boosted sales at home centers, and some retailers say the trend could continue for a year.

"There's been a dramatic switch in the mix of products that we sell," said Bill Whiting, marketing director for B&Q Ltd., based in Southampton.

Among the hottest items: fencing, roofing materials and chain saws to cut up the thousands of trees uprooted by the storm.

"There's been an unbelievable demand for chain saws," said Jon Whowell, public relations manager for Wickes Building Supplies Ltd. in Middlesex. The company, which has 12 stores in the hard-hit Kent-Sussex region in southeastern England, has been renting as well as selling saws.

Conversely, demand for decorating products is down.

"People just aren't doing normal DIY," said Graham Rodaway, development director for W.H. Smith Do It All in Dudley.

Kent-based Payless DIY, with 40 stores in Kent-Sussex, saw a 10 percent sales increase at those stores during the week following the storm, said John Hood, Payless' financial director.

Whiting estimates B&Q fencing sales could increase fifty times over before all the repair work is finished. A spring storm this year prompted fencing sales to increase tenfold, he said, "and this storm was much worse."

Industrywide, Whiting predicts that storm-related sales will continue for the next six to 12 months and could mean "millions of pounds of extra turnover."

(Continued on page 56)

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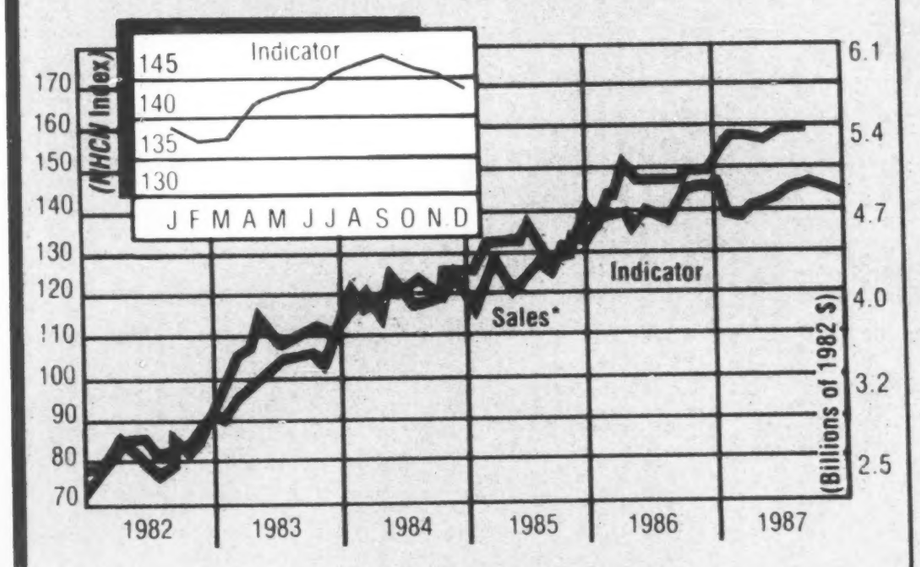


*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a softening in building material sales during the fourth quarter of 1987. Housing starts are declining, pointing to a slowdown in sales in the months ahead.

No recession seen for '88, but consumer confidence shaken

By Richard E. Mount
Special to NHCN

Problems in financial markets will cause consumer confidence to shrink through the first half of 1988, sending overall economic growth lower. While Merrill Lynch Economics does not believe that we are headed into a recession, the retrenching consumer, who represents about two-thirds of the economy, could bring about a one-quarter decline in GNP in the opening months of 1988.

Building material retail sales will rise in 1988 because of relative strength in resales, while many housing markets will sharply contract. After a projected increase of 7 percent for building material sales in 1987, 1988 is expected to rise 5 percent in dollar volume, but will be unchanged in unit volume.

Richard E. Mount

Resales should remain strong in the second half of 1987 and throughout 1988 despite rising mortgage rates and potential problems in consumer spending after the recent changes in the stock market. In September, resales rose to 3.45 million units, up from 3.41 in August, and are expected to decline only 5 percent in 1988 and housing starts 13 percent.

This strength in resales reflects their increased affordability against new homes. This spread widened to 25 percent in mid-1987, in early 1980 it was only

(Continued on page 19)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

	1986 QIII	1986 QIV	1987 QI	1987 QII	1987 QIII	1987 QIV	1988 QI	1988 QII	1986	1987	1988
***NHCN* Leading Sales Indicator** (January 1980 = 100)	132.1	137.1	141.1	143.8	146.4	143.7	141.1	142.3	130.4	143.8	142.9

General Economic Outlook

	GNP $1982 Billion	3,718.0	3,731.5	3,772.2	3,795.3	3,831.2	3,861.3	3,847.2	3,860.0	3,713.3	3,815.0	3,869.5
	Real Disposable Income $1982 Bil.	2,653.2	2,656.7	2,674.6	2,645.5	2,676.1	2,685.6	2,692.0	2,704.4	2,645.2	2,670.5	2,712.2
	Housing Permits (000 SAAR)	1,678	1,696	1,682	1,536	1,494	1,475	1,350	1,360	1,762	1,547	1,369
	Housing Starts (000 SAAR)	1,758	1,702	1,795	1,612	1,622	1,550	1,430	1,430	1,806	1,645	1,438
	New Home Sales (000 SAAR)	685	712	724	675	650	650	600	610	749	675	610
	Resales (000 SAAR)	3,615	3,927	3,617	3,610	3,430	3,425	3,325	3,325	3,565	3,521	3,338
	Prime Rate %	7.9	7.5	7.5	8.1	8.4	8.6	8.1	8.0	8.4	8.2	8.3
	Mortgage Rate % (HUD)	10.2	9.7	9.1	10.3	10.5	10.8	10.3	10.2	10.2	10.2	10.7
	Consumer Price Index (1967 = 100)	328.4	330.7	335.0	339.0	342.3	345.8	349.8	353.9	328.3	340.5	356.3
	Producer Price Index (1967 = 100)	288.2	290.2	292.4	295.9	297.7	301.4	305.4	309.5	289.8	296.9	311.5
	New Housing Affordability 1980-100)	126.1	128.9	129.2	119.4	111.4	111.9	112.7	110.7	128.3	118.0	109.3

Residential Alterations and Repairs

Current	**Total $ millions SAAR**	100,300	88,900	92,500	97,478	100,004	101,959	102,859	105,210	91,416	97,985	106,239
	Maintenance and Repair	39,500	37,700	37,500	40,081	40,925	41,463	42,116	42,898	35,990	39,992	43,300
	Additions and Alterations	42,400	36,100	37,300	38,978	40,184	40,999	41,171	42,183	38,662	39,365	42,584
	Major Replacements	18,400	15,100	17,700	18,420	18,896	19,497	19,573	20,129	16,766	18,628	20,355
Constant	**Total Millions $1982 SAAR**	89,910	81,090	80,900	84,410	85,740	86,550	86,450	87,550	82,165	84,400	87,950
	Maintenance and Repair	35,410	34,390	32,800	34,710	35,090	35,200	35,400	35,700	32,540	34,450	35,850
	Additions and Alterations	38,010	32,930	32,620	33,750	34,430	34,800	34,600	35,100	34,435	33,905	35,250
	Major Replacements	16,490	13,770	15,480	15,950	16,200	16,550	16,450	16,750	15,190	16,045	16,850

Retail Trade Activity

Current	**Total $ millions SAAR**	1,486,596	1,485,648	1,469,808	1,503,808	1,540,352	1,524,075	1,528,895	1,545,546	1,445,875	1,509,511	1,555,689
	Total Minus Automobile	1,122,908	1,133,900	1,155,900	1,164,940	1,175,536	1,180,918	1,187,707	1,198,152	1,117,943	1,169,323	1,206,405
	Building Material, Hardware, Garden Supply, Mobile Home	88,884	89,488	91,132	89,596	89,696	90,646	91,128	91,948	88,009	90,267	92,707
	Building Material and Supply	62,956	64,584	69,660	68,976	70,796	71,623	72,005	72,756	65,529	70,264	73,604
	Hardware	11,832	11,748	12,092	12,108	11,764	11,811	11,873	12,044	10,700	11,944	12,156
Constant	**Total Millions $1982 SAAR**	1,389,643	1,381,478	1,346,715	1,359,304	1,381,056	1,352,933	1,343,774	1,344,959	1,359,694	1,360,082	1,346,953
	Total Minus Automobile	1,064,708	1,069,709	1,069,597	1,063,876	1,067,051	1,061,323	1,056,856	1,055,594	1,057,464	1,065,462	1,057,512
	Building Material, Hardware, Garden Supply, Mobile Home	84,518	83,480	84,277	82,553	82,039	82,087	81,707	81,625	83,303	82,739	81,883
	Building Material and Supply	59,866	60,242	64,420	63,551	64,792	64,900	64,600	64,500	60,490	64,416	64,725
	Hardware	11,251	10,960	11,182	11,157	10,764	10,700	10,650	10,675	10,640	10,951	10,688
	Building Materials % of Total Less Automobile ($Current)	5.61	5.70	6.03	5.92	6.02	6.07	6.06	6.07	5.86	6.01	6.10

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
November 16, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

No recession, but consumer confidence is shaken

(Continued from page 18)
5 percent. This makes existing homes more attractive to home buyers, especially when they are trying to limit monthly payments and reduce long-term risks.

Affordability

Affordability is the ratio of average household income to monthly mortgage payments, thereby measuring the ability of households to take on new mortgages. For the measure used in this report, we assume that households make a down-payment of 25 percent on a home, and have a conventional, fixed-rate mortgage of 25 year's duration.

Personal-income growth slowed in recent years, as the maturing economic expansion began to grow less rapidly beginning in the second half of 1984.

Two major problems for income growth in recent years was the high value of the dollar that limited domestic production and the fall in imported oil prices that softened the economies of energy-producing areas. In the past year, average household income grew only 4 percent; in mid-1984, it was rising at an 8 percent rate.

New home prices rose rapidly in the current recovery, especially in the Northeast. Rising home prices were not driven by general inflationary pressures in building materials however, but by land prices, increased size of new homes, additional amenities and labor costs. In 1986, median new-home prices rose 9 percent nationally.

Resale prices have been pulled up by higher new-home prices, although they have not increased as rapidly. During the 1970s, new-home prices rose 11.1 percent annually; resales were about the same 11 percent. But since the economic expansion began in 1982, new homes rose 7.5 percent per year versus 5.2 percent for existing homes. Buyers ignored the widening gap between new and existing homes in the early stages of the current recovery when incomes increased rapidly. Then, in early 1986 when mortgage rates dropped sharply from energy price cuts, buyers increasingly turned to new homes.

Patterns in affordability during 1987 have been especially favorable for resales, as new home prices have continued to climb rapidly in an environment of generally rising mortgage rates.

While new home affordability fell sharply from April to June and then stayed near the lower level through August, resale affordability remained high because of lower price increases.

Resales are a far more important indicator of future building material sales than new home sales or housing starts. Because of rising mortgage rates and possible cutbacks in consumer confidence, the housing industry will suffer to some degree in 1987 and 1988. As consumers shift to less expensive purchases to reduce risk and increase savings, resales will become increasingly attractive to home buyers because of their affordability edge over new homes. While resales are likely to edge lower in 1988 because of higher mortgage rates, they will not be as soft as new homes.

For building material retail sales, continued strength in resales in the second half of 1987 and a small decline in 1988 point to strong building material sales through 1988. In short, dollar sales volume should be up 7 percent in 1987 and 5 percent in 1988.

HWI posts highest sales in its history

By an NHCN staff editor

INDIANAPOLIS — Hardware Wholesalers Inc., (HWI) posted its highest sales and member rebates in its history while reducing overhead expenses.

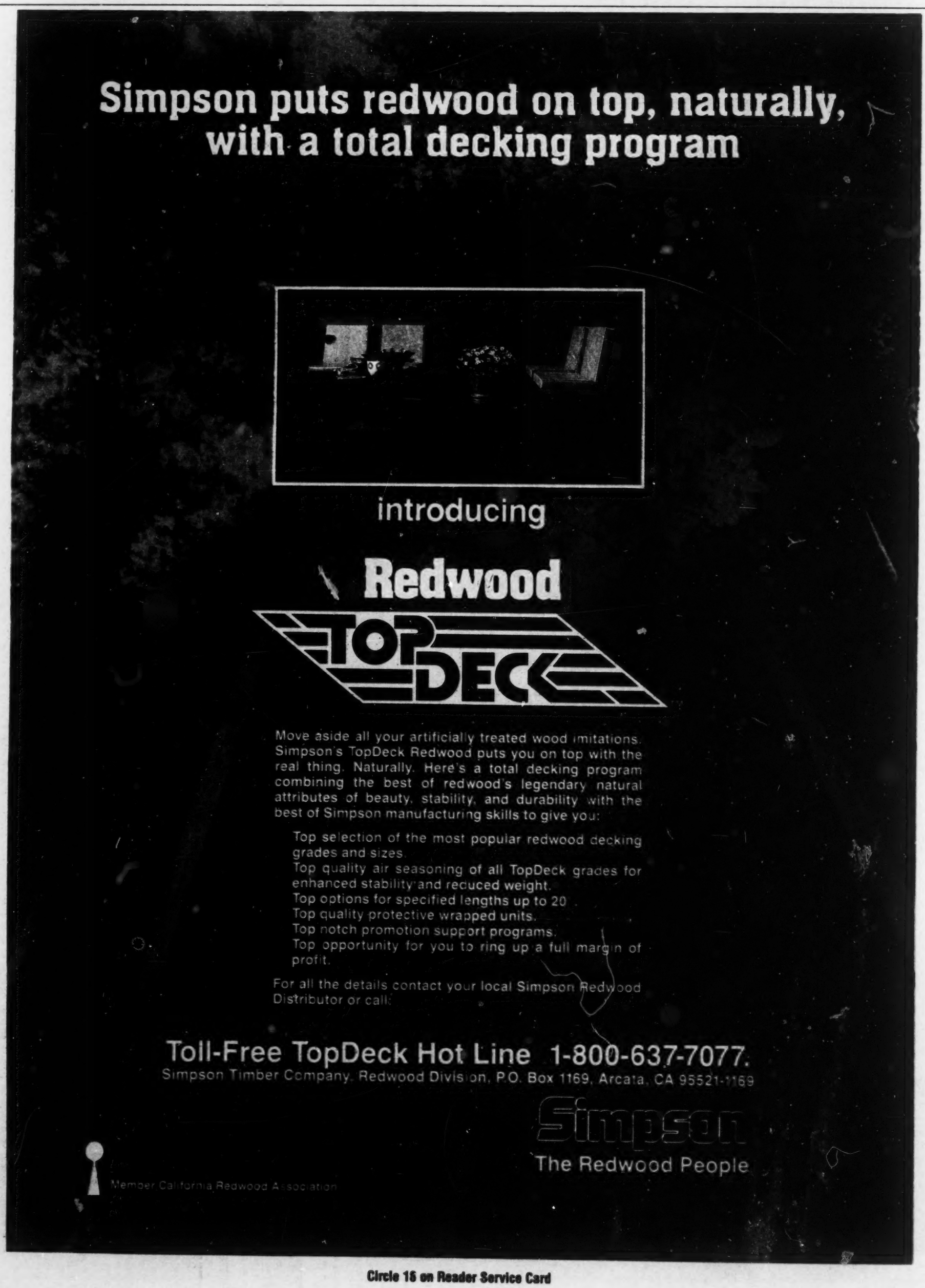
In its annual report presented to members last month, HWI reported $831 million in gross sales for the fiscal year ending June 30, versus $747.2 million in 1986. Profit for the 2,700-member co-op rose to $72.2 million in 1987 compared to $60.4 million last year and shareholder refunds increased to $39.9 million versus $34.7 million paid to members last year. The refund will be paid 45 percent in cash and 55 percent in preferred stock.

Stockholders approved a change in the co-op's bylaws Oct. 19 that will pass on higher rebates in future years. Mike McClelland, the co-op's executive vp, said changes in Indiana law and federal tax law mandated the co-op pay higher rebates or pay higher taxes.

He said in order not to deplete capital needed for inventories, the bylaw change would probably result in a higher ratio of refunds paid in preferred stock.

Overhead as a percentage of sales dropped for the wholesaler from 3.8 percent in 1985 to 3.6 percent in 1987. Operating expenses rose to $28.7 million, a 17 percent increase over 1986, due to the opening of HWI's sixth warehouse in Columbia, S.C.

According to treasurer Richard Parker, available cash at year's end was $22.9 million, down $1 million over 1986 because of improvements forced by insurers at two DCs.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HOUSING WATCH

Consumers ponder future after stock market crash

(Continued from page 1)

Historically, when consumers feel wealthy, spending rises about five cents for every dollar of increased wealth over a 12- to 18-month period, says Stephen S. Roach, principal economist with Morgan Stanley & Co. in New York. Such a spending boom has been going on in this country for the past five years.

Now, economists say, the boom is over.

There are indications that consumers are preparing to pull back.

In a poll by the Chicago research firm of Leo J. Shapiro & Associates, taken immediately after the crash and in subsequent days, respondents said they weren't directly affected by the crash. But they also indicated that major purchases might be deferred.

A Wall Street Journal-NBC News poll of 2,394 people nationwide shows that nearly two out of three believe a major economic downturn is very or somewhat likely in the next 12 months. Only one in five thinks the economy is now good, compared with one in three 18 months ago.

What that means, economists say, is that retailers should be cautious.

"If I were a retailer right now...I would have very careful inventory control," says Marcus, "I would keep inventory low."

Over the next five years, there will be "an intensely competitive market for retailers," says Lynn O. Michaelis, chief economist for Weyerhauser.

Retailers considering expansion, especially in the Northeast, "should think twice. They should be very careful." Michaelis predicts that the Northeast—which has enjoyed the biggest boom and which has a high concentration of stock market investors—will be the hardest hit.

That thought comforts some retailers.

"With the majority of our stores in small-town America, we're in good shape," says Cliff Oxford, Lowe's vp-investor relations.

Oxford says Lowe's sales were off during the week of the Oct. 19 crash, but picked up over the weekend and remained strong the week of Oct. 26.

Bernie Marcus, chairman of Home Depot says sales in his stores continue to grow. And he chides the media for fueling recession fears.

Like many retailers, Marcus is optimistic that if there is a recession and home buying falls, household repair sales will still do well.

"People worried about their jobs are not going to pay $130 to put a part in. They're going to do it themselves," he says. "If a toilet overflows, you've got to fix it, or you better be a swimmer."

But some economists warn that large, elective remodeling jobs will be postponed.

Weyerhauser's Michaelis estimates that real growth in owner-occupied home remodeling and repair will fall from between 10 and 15 percent annually to between 2 and 3 percent over the next two to three years.

Beyond consumer perceptions about the economy, experts say there are real problems.

Most pressing are the twin deficits. The federal deficit now stands at roughly $160 billion, the trade deficit at about $15.7 billion.

To cut those deficits, especially domestically, "the country has to cut back on spending, or raise more money," says Leonard Lodish, chairman of the marketing department at the University of Pennsylvania's Wharton School of Finance

The U.S. House of Representatives has already approved a $12 billion tax increase designed to help trim the federal deficit by $14.4 billion. So far, the increases are not directly aimed at consumers. But economists say further tax increases are likely. And, though interest rates have fallen since the crash, economists expect them to bounce up again.

Predictions are that 30-year fixed-rate mortgages will stabilize between 10.5 and 11 percent. While far from the exorbitant rates of the early 1980s, such interest is enough to turn consumers off on major postponable purchases and dampen remodeling enthusiasm.

Says Morgan Stanley's Roach darkly: "The key is the consumer, and the consumer's in trouble. We're looking at a much weaker economic environment that we have previously seen."

Housing start figures revised down for 1988

By an NHCN staff editor

WASHINGTON — Housing start figures for 1988 were revised downward, as the National Association of Home Builders gathered here for its semi-annual construction forecasting conference.

Estimates ranged from a low of 1.4 million, projected by Stephen S. Roach of Morgan Stanley & Co., to the 1.6 million projected by James W. Christian, chief economist for the U.S. League of Savings Institutions. Starts would be flat from this year, at 1.6 million.

The NAHB estimate was 1.45 million starts for 1988, and 1.40 million for 1989.

"That's a downward trend, but clearly not what we would consider a housing recession," said NAHB chief economist David Seiders.

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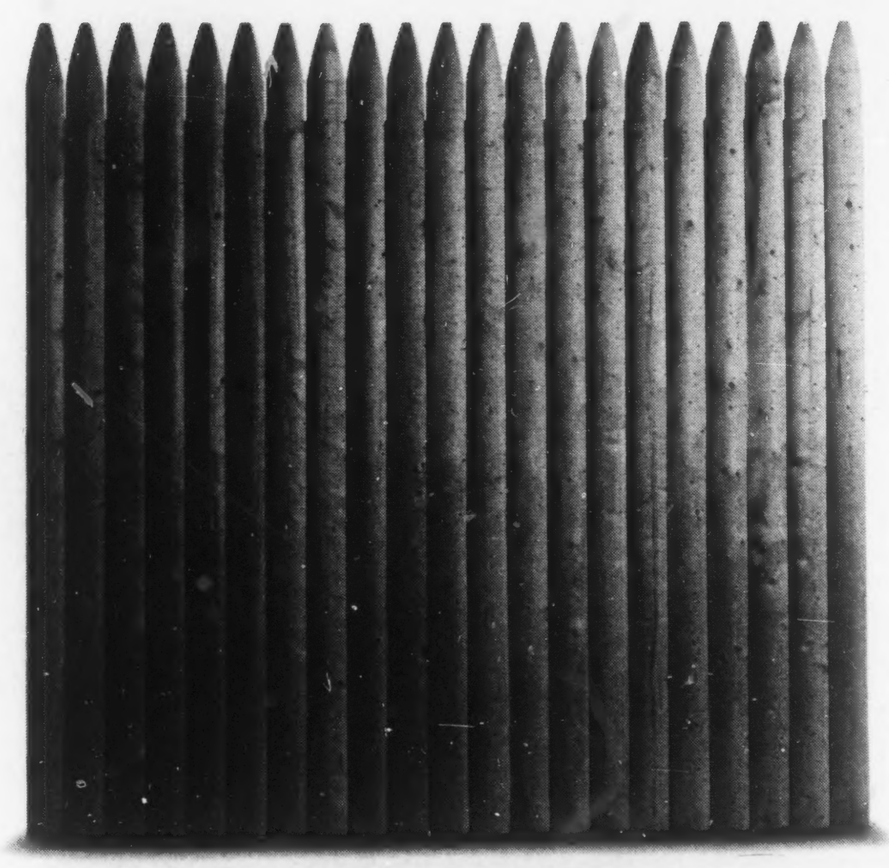

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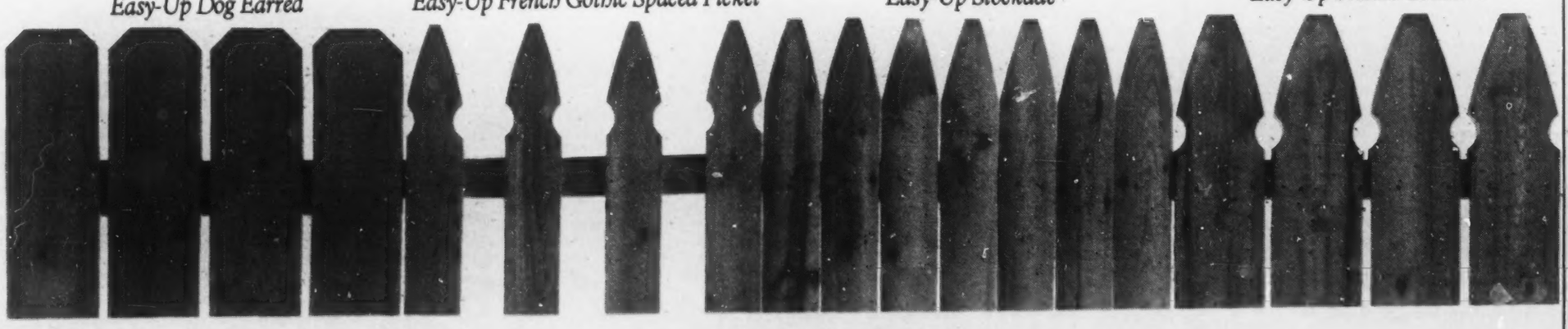

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